



PEBASM
SC Retirement Systems
and State Health Plan

Serving those who serve South Carolina

Fiscal year 2023 budget request

House Ways & Means Healthcare Subcommittee

January 18, 2022

Requests to address State Health Plan budget challenges

- Suspend the sweep of excess operating cash into the OPEB trust fund at the end of 2021 through a Joint Resolution prior to January 31, 2022.
 - May use the same language from the Joint Resolution enacted in January 2021.
 - The \$194 million not swept at the end of 2020 enabled the Plan to get through 2021 without cash concerns.
- Appropriate approximately \$200 million from supplemental funds to compensate for unanticipated expenditures at the end of 2020 and in 2021 due to COVID.
 - The appropriation would refresh reserves in 2022 to prevent a potential cash shortage through the end of the calendar year. Projections now indicate that any potential “cash crunch” would occur in the second half of calendar year 2022.
 - The appropriation would raise the Plan’s reserves consistent with statutory requirements and acceptable business practices and would allow the 2023 budget requirements to stay at an amount needed solely to build the Plan’s contribution base to a level to pay ongoing expenses in 2023.
- Appropriate recurring funds for a rate increase to be effective January 2023. PEBA’s Board of Directors recommends a 14.2 percent increase in the manner described on Slide 4.
 - Other options for the rate increase are also described on Slide 4.

Preliminary State Health Plan budget requirements for fiscal year 2023

Base requirements	State \$ (M)
Annualization of 2022 0.8% employer only rate increase	\$3.873
Projected retiree enrollment growth for FY 2023	\$4.297
Total base requirements	\$8.170

Preliminary State Health Plan budget requirements for fiscal year 2023

	Percent	EE only	ER and EE share proportionally		ER only
		EE+ per month	State \$ (M) ¹	EE+ per month	Without EE increase
Current plan	15.2%	\$87.96	\$87.518	\$23.10	\$108.365
Current plan with adjustments permitted under ACA-grandfathered status	12.5%	\$72.34	\$73.423	\$19.00	\$90.567
Current plan with adjustments + expanded well visit coverage (annually with no patient cost share)	14.2%	\$82.18	\$82.298	\$21.58	\$101.773
Current plan + expanded well visit coverage (annually with no patient cost share)	16.9%	\$97.80	\$96.393	\$25.68	\$119.571

¹State \$ includes amounts for annualization of 2022 rate increase for January to June 2022 (\$3.873 million) and estimated retiree enrollment growth (\$4.297 million).

Plan adjustments permitted under ACA-grandfathered status

	Current	Increase
Standard Plan		
Deductible	\$490	\$525
Coinsurance maximum	\$2,800	\$3,000
Physician's office copayment	\$14	\$15
Outpatient facility copayment	\$105	\$112
Emergency room copayment	\$175	\$188
Prescription drug copayments	\$9/\$42/\$70	\$14/\$45/\$75
Savings Plan		
Deductible	\$3,600	\$3,960
Coinsurance maximum	\$2,400	\$2,640
MUSC Health Plan		
Outpatient facility copayment	\$265/\$75/\$20	\$285/\$80/\$20
Urgent care copayment	\$75	\$80
Emergency room copayment	\$175	\$190

These increases are what is permissible under ACA-grandfathered status currently and are subject to change. PEBA will evaluate the final increases summer 2022 before finalizing the State Health Plan's Plan of Benefits for Plan Year 2023.

Historical State Health Plan increases and funding

Plan year	Employee increase	Employer increase	State \$ (M) ¹	Plan design changes
2012	4.50%	4.50%	\$63.601	
2013	0.00%	6.37%	\$51.528	
2014	0.00%	6.80%	\$54.000	Increased copayments, deductible and coinsurance maximum
2015	0.00%	3.90%	\$57.174	Increased copayments, deductible and coinsurance maximum
2016	0.00%	4.50%	\$35.700	
2017	0.00%	0.80%	\$25.727	
2018	0.00%	3.30%	\$25.456	
2019	0.00%	7.40%	\$56.400	Added adult well visit coverage; increased copayments, deductible and coinsurance maximum
2020	0.00%	0.00%	\$49.708	
2021	0.00%	0.00%	\$0.000	
2022	0.00%	0.80%	\$5.928	

¹State \$ includes amounts for rate increase for January-June of the following year, annualization of rate increase for July-December of the current year and estimated retiree enrollment growth.

State Health Plan highlights

State Health Plan enrollment as of January 2022

Participants		
Subscribers		292,557
Actives	196,696	
Retirees	92,395	
Others	3,466	
Spouses		87,405
Children		138,564
Total covered lives		518,526

Total employer groups: 815

Active subscribers	
State agencies	32,912
Higher education	25,489
School districts	86,080
Local subdivisions	36,864
Other	15,351
Total employees	196,696

Retirees	
Medicare	74,507
Non-Medicare	17,888
Total retirees	92,395

Numbers represent enrollment in the State Health Plan, the MUSC Health Plan and TRICARE Supplement Plan.

2021 Average monthly total premiums¹

	Single	Family
State Health Plan	\$500	\$1,305
Large public and private sector employers ²	\$673	\$1,944
Public and private sector in South ³	\$639	\$1,823
Public employers	\$666	\$1,784
Private – manufacturing	\$664	\$1,983
Private – financial services	\$681	\$1,937

¹Average monthly total premiums in PPO (Preferred Provider Organization) plans

²Large public and private sector employers: ≥ 200 employees in public and private sectors

³Public and private sector employers in South includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from the Kaiser Family Foundation Employer Health Benefits 2021 Annual Survey

2021 Average annual deductible¹

	Amount
State Health Plan	\$490
Large public and private sector employers ²	\$976
All employers	\$1,245

¹Average annual deductible in PPO (Preferred Provider Organization) plans

²Large public and private sector employers: ≥ 200 employees in public and private sectors

Data from the *Kaiser Family Foundation Employer Health Benefits 2021 Annual Survey*

2020 Average annual gross plan cost per active employee¹

	Amount ²
State Health Plan	\$11,669
Public employers	\$14,000
Private – manufacturing	\$14,431
Private – financial services	\$14,635
All employers	\$13,937
Employers – 500+	\$14,048
Employers – 20k+	\$13,189
South ³	\$13,024

¹Average cost in PPO (Preferred Provider Organization) and POS (Point of Service) plans

²Average annual gross plan cost per employee (medical and pharmacy only for active employees and their dependents) = (Claims cost for employee and dependents + administrative costs + employee contributions)/number of active employees

³South includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from the 2020 Mercer National Survey of Employer-Sponsored Health Plans

2022 Composite monthly premiums¹

	Employer	Employee	Total
State Health Plan	\$578.73	\$159.84	\$738.57
South ²	\$804.35	\$199.74	\$1,004.08
State Health Plan as a percentage of South	72.0%	80.0%	73.6%
United States	\$953.30	\$173.15	\$1,126.45
State Health Plan as a percentage of U.S.	60.7%	92.3%	65.6%

Survey uses most prevalent plan among state employee options for analysis.

¹Composite monthly premiums: Weighted average of all PEBA health subscribers enrolled in each coverage level

²South includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia

Data from the 2021 *PEBA 50-State Survey of State Employee Health Plans*

Operating budget

Fiscal year 2023 budget request

	FY22 approved	FY23 budget request
I. Administration		
Personal Services	\$295,582	\$295,582
Other Operating (New IT System Project)	\$10,000,000	\$10,000,000
Administration Total	\$10,295,582	\$10,295,582
II. A. Employee Insurance Program		
Personal Services	\$7,044,995	\$7,044,995
Adoption Assistance ¹	\$300,000	\$300,000
Other Operating	\$3,945,263	\$3,945,263
Employee Insurance Program Total	\$11,290,258	\$11,290,258
II. B. Retirement Systems		
Personal Services	\$9,218,212	\$9,218,212
Other Operating	\$5,003,246	\$5,003,246
Retirement Systems Total	\$14,221,458	\$14,221,458
Operating IT Systems Total	-	-
III. Statewide Employer Contributions²	\$111,484,135	\$111,063,160
IV. Employee Benefits		
Employer Contributions	\$6,222,793	\$6,222,793
Employer Contributions Total	\$6,222,793	\$6,222,793
GRAND TOTAL	\$153,514,226	\$153,093,251

¹Adoption Assistance is funded from the State Health Plan. Requests for reimbursement are expected to be more than \$300,000.

²Detail available on Slide 16.

Operating budget trends

	Authorized budget						FY 2023 request
Trust Funds	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
Personal services	\$15,403,176	\$16,221,729	\$16,558,789	\$16,558,789	\$16,558,789	\$16,558,789	\$16,558,789
Other operating	\$11,049,436	\$9,704,626	\$8,948,509	\$8,948,509	\$8,948,509	\$8,025,601	\$8,025,601
Adoption assistance	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Employer contributions	\$5,277,479	\$5,803,736	\$6,222,793	\$6,222,793	\$6,222,793	\$7,145,701	\$7,145,701
New IT system project	-	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Total Trust Funds	\$32,030,091	\$42,030,091	\$42,030,091	\$42,030,091	\$42,030,091	\$42,030,091	\$42,030,091
General Funds ¹	\$7,495,020	\$125,737,331	\$109,468,739	\$112,368,739	\$112,266,880	\$111,484,135	\$111,063,160
Total	\$39,525,111	\$167,767,422	\$151,498,830	\$154,398,830	\$154,296,971	\$153,514,226	\$153,093,251

¹Details available on Slide 16.

FY 2023 statewide employer contributions

	FY22 authorized	FY23 budget request
III. Statewide Employer Contributions		
Ret Suppl-State Employee	\$233,258	\$233,258
Ret-Suppl-Public School Employee	\$199,855	\$199,855
Ret-Police Insur & Annuity Fund	\$960	\$960
Ret Suppl-Police Officer	\$17,506	\$17,506
Pension Ret-National Guard	\$4,405,123	\$3,984,148
OPEB Trust Fund Pymt	\$2,375,300	\$2,375,300
Subtotal	\$7,232,002	\$6,811,027
SCRS Trust Fund	\$88,230,143	\$88,230,143
PORS Trust Fund	\$13,121,990	\$13,121,990
JSRS Trust Fund	\$2,900,000	\$2,900,000
Subtotal	\$104,252,133	\$104,252,133
Total pass through funds	\$111,484,135	\$111,063,160



Provisos

Fiscal year 2022

Proviso 106.1

(SEB: SCRS & PORS Allocation) The funds appropriated in the current fiscal year for SCRS Employer Contributions and PORS Employer Contributions shall be allocated to state agencies and school districts by the Department of Administration, Executive Budget Office for SCRS and PORS rate increases.

Proviso 106.2

(SEB: Suspend SCRS & PORS Employer Contribution Rate Increase) The increase in the employer contribution rate imposed by Section 9-1-1085 and Section 9-11-225 for Fiscal Year ~~2021-22~~2022-23, respectively, are suspended. The employer contribution rate for the South Carolina Retirement Systems and the Police Officers Retirement Systems during Fiscal Year ~~2021-22~~2022-23, expressed as a percentage of earnable compensation, shall increase by 1% from Fiscal Year ~~2020-21~~2021-22 rates as set in Act 135 of 2020.

This proviso needs to be updated for fiscal year 2023.

Proviso 108.1

(PEBA: Lottery, Infrastructure Bank, and Magistrates Health Insurance) South Carolina Lottery Commissioners and South Carolina Transportation Infrastructure Bank Board members and their eligible dependents are eligible to participate in the State Health and Dental Insurance Plan, upon paying the full premium costs as determined by the Public Employee Benefit Authority. If a county is participating in the State Health and Dental Insurance Plan, magistrates and their eligible dependents are eligible to participate in the State Health and Dental Insurance Plan, upon the magistrate paying the full premium costs as determined by the Public Employee Benefit Authority.

Proviso 108.2

(PEBA: Adoption Assistance Program) The Employee Adoption Assistance Program is established to provide grants to eligible employees to assist them with the direct costs of adoption. The program shall be an employee benefit through the Public Employee Benefit Authority (PEBA) and shall be funded from the appropriation for the State Health Plan as provided in this act. Total funding for the Adoption Program shall not exceed the amount authorized by the General Assembly in the annual appropriations act. Employees are eligible for the Adoption Program if they participate in PEBA insurance benefits, have adopted a child during the prior fiscal year, apply for the grant during the annual application period, and meet any other Adoption Program criteria. The application period shall be July first through September thirtieth of the current fiscal year for an adoption in the prior fiscal year. The maximum grant amounts shall be \$10,000 in the case of the adoption of a special needs child and \$5,000 for all other child adoptions. Should the total amount needed to fund grants at the maximum level exceed the amount authorized, the amount of a grant to an eligible employee shall be determined by dividing the authorized amount evenly among qualified program applicants, with the adoption of a special needs child qualifying for two times the benefit of a non-special needs child.

Proviso 108.3

(PEBA: Health Plan Tobacco User Differential) For health plans adopted under the authority of Section 1-11-710 of the 1976 Code by the Public Employee Benefit Authority during the current fiscal year, the board is authorized to differentiate between tobacco or e-cigarette users and nonusers regarding rates charged to enrollees in its health plans by imposing a surcharge on enrollee rates based upon tobacco or e-cigarette use. The surcharge for tobacco or e-cigarette use may not exceed \$40 per month per subscriber or \$60 per month per subscriber and dependent(s).

Proviso 108.4

(PEBA: Funding Abortions Prohibited) No funds appropriated for employer contributions to the State Health Insurance Plan may be expended to reimburse the expenses of an abortion, except in cases of rape, incest or where the mother's medical condition is one which, on the basis of the physician's good faith judgment, so complicates the pregnancy as to necessitate an immediate abortion to avert the risk of her death or for which a delay will create serious risk of substantial and irreversible impairment of major bodily function, and the State Health Plan may not offer coverage for abortion services, including ancillary services provided contemporaneously with abortion services. The Public Employee Benefit Authority must determine the amount of the total premium paid for health coverage necessary to cover the risks associated with reimbursing participants in the plan for obtaining an abortion in the circumstances covered by this provision. The determination must be based on actuarial data and empirical study in the same manner and by the same method that other risks are adjusted for in similar circumstances. The plan must report this determination annually to the respective Chairmen of the Senate Finance Committee and the House Ways and Means Committee.

Proviso 108.5

(PEBA: TRICARE Supplement Policy) The Public Employee Benefit Authority (PEBA) shall offer a group TRICARE Supplement policy or policies to its TRICARE-eligible subscribers through its flexible benefits program to provide that subscribers may pay premiums for such policies on a pretax basis, in accordance with federal law and regulations. PEBA may charge TRICARE Supplement subscribers an amount not to exceed \$2 per subscriber per month for any associated administrative costs.

Proviso 108.6

(PEBA: State Health Plan) Of the funds authorized for the State Health Plan pursuant to Section 1-11-710(A)(2) of the 1976 Code, an employer premium increase of **0.8** percent and a subscriber premium increase of **zero** percent will result for the standard State Health Plan for Plan Year ~~2022~~2023. **Copayments for participants of the State Health Plan shall remain the same in Plan Year ~~2022~~2023 as in Plan Year ~~2021~~2022.**

Notwithstanding the foregoing, pursuant to Section 1-11-710(A)(3), the Public Employee Benefit Authority may adjust the plan, benefits, or contributions of the State Health Plan during Plan Year ~~2022~~2023 to ensure the fiscal stability of the Plan.

The red information in this proviso needs to conform to dollars and the proviso needs to be updated for fiscal year 2023.

Proviso 108.7

(PEBA: Exempt National Guard Pension Fund) In the calculation of any across-the-board cut mandated by the Executive Budget Office or General Assembly, the amount of the appropriation for the National Guard Pension Fund shall be excluded.

Proviso 108.8

(PEBA: Inactive SCRS Account Transfer) A current employee or teacher who is an active participant in the State Optional Retirement Program but who has an inactive account in the South Carolina Retirement Program due to previous service in that system, shall be allowed to transfer previous contributions to the employee's or teacher's active State Optional Retirement Program account.

Proviso 108.9

(PEBA: Network Pharmacy Publications) All pharmacy publications or lists must include independent retail pharmacies. Abridged pharmacy lists are prohibited.

Proviso 108.10

(PEBA: Covered Contraceptives) For the Plan year beginning in January of the current fiscal year, the State Health Plan shall not apply patient cost sharing provisions to covered contraceptives. This provision does not alter the current approved list of contraceptives and complies with the requirements of Proviso 108.4.

Proviso 108.11

(PEBA: Former Spouses on the State Health Plan) For the Plan Year beginning in January of the current fiscal year, the State Health Plan shall cover a subscriber's former spouse, who is eligible to be covered pursuant to a court order, on the former spouse's own individual policy and at the full amount of the premium for the coverage elected, with such rates, billing, and other administrative policies to be determined by the Public Employee Benefit Authority. The former spouses may only elect such health, dental, and vision coverage as required by the court order. The former spouse's individual coverage may continue under the State Health Plan as long as authorized under the court order and the subscriber remains a participant in the State Health Plan. This proviso does not affect a subscriber's ability to cover a current spouse on an employee/retiree and spouse or full family policy when the subscriber's former spouse is covered on a separate policy.

Proviso 108.12

(PEBA: COVID-19 Return to Work Extension) For Fiscal Year 2021-22, the earnings limitation imposed pursuant to Section 9-1-1790 and Section 9-11-90 of the 1976 Code does not apply to retired members of the South Carolina Retirement System or the Police Officers Retirement System who return to covered employment to participate in the state's public health preparedness and response to the COVID-19 virus. This section is not intended to supersede or conflict with Act 102 of 2021, S. 704 of 2021. In the event of a conflict, the provisions of the Act control.

This proviso needs to be deleted or updated for fiscal year 2023.

Proviso 108.14

(PEBA: Non-State Agency Furloughs) For the current fiscal year, a participating employer in the South Carolina Retirement System or Police Officers Retirement System that is not a state agency or institution of higher learning may make employee and employer contributions for a period of not more than ninety working days during a furlough program that was implemented as a result of and took place during the COVID-19 Public Health Emergency and if the terms of the furlough program are consistent with the requirements for an approved mandatory furlough program established by a state agency or institution of higher learning under state law. The participating employer shall make such contributions in order to ensure that a furloughed employee's retirement benefits are not interrupted as a result of the furlough, and the period for which such contributions are made will not be considered a break in consecutive employment.

Proviso 117.123

(SCRS & PORS Trust Fund) Unless otherwise provided in Paragraphs A through D of this provision, the funds appropriated to the Public Employee Benefit Authority (PEBA) for the South Carolina Retirement System Trust Fund and the Police Officers' Retirement System Trust Fund in Part IA, Section 108 of this act shall be credited toward the contributions due from participating employers in SCRS and PORS for Fiscal Year ~~2021-22~~**2022-23**. Each employer's credit shall be determined at the same rate as calculated by PEBA for the pension funding allocation credit for Fiscal Year 2017-18. A participating employer shall not receive a credit that exceeds the employer contributions due from the employer.

(A) From the funds available for allocation pursuant to this provision, no credits shall be issued for covered employees of special purpose districts, joint authorities, or non-profit corporations; however, this provision does not apply to the South Carolina State Ports Authority and the South Carolina Public Service Authority.

(B) From the funds available for allocation pursuant to this provision, no credits shall be issued for covered employees of hospitals; however, this provision does not apply to the Medical University Hospital Authority.

(C) From the funds available for allocation pursuant to this provision, no credits shall be issued for covered employees of participating associations or service organizations as defined in Section 9-1-10(11)(e) of the 1976 Code.

(D) From the funds available for allocation pursuant to this provision, no credits shall be issued for state employees who are funded with federal funds. The Public Employee Benefits Authority shall collaborate with the Department of Administration, Executive Budget Office and the Revenue and Fiscal Affairs Office to determine the amount of credit exclusion for federally-funded employees of state agencies.

This proviso needs to conform to dollars and be updated for fiscal year 2023.

Proviso 117.124

(Retirement System Assets and Custodial Banking Relationship Transfer) In order to facilitate the transfer of custodianship of the assets of the Retirement System to the Public Employee Benefit Authority and governance of the custodial banking relationship to the Retirement System Investment Commission, all portions of contracts, agreements, and exemptions from the Consolidated Procurement Code providing for and relating to custodial banking, general banking, accounting, or any other ancillary services are transferred to, and devolved upon, the Public Employee Benefit Authority and the Retirement System Investment Commission in accordance with the authority transferred to the respective agency.

Proviso 117.135

(School Resource Officer Critical Needs) Any Class 1 law enforcement officer who retired under the Police Officers Retirement System on or before December 31, 2017, may return to employment with a public school district as a critical needs School Resource Officer without affecting the monthly retirement allowance that they are receiving from the Police Officers Retirement System. The Law Enforcement Training Council must develop guidelines and curriculum for these officers to be recertified and must not require recertification through basic training for those that have been inactive for a year or more.

Consider updating the date in this proviso. For actuarial impact, the date needs to be no later than July 1, 2021, so that there is at least a one-year break in service.

New proviso

(PEBA: South Carolina Retiree Health Insurance Trust Fund) The provisions of Section 1-11-705(I)(2) of the Code of Laws are suspended for Fiscal Year 2022-2023, and, notwithstanding any other provision of law, during Fiscal Year 2022-2023, funds that would otherwise have been transferred to the South Carolina Retiree Health Insurance Trust Fund from the operating account for the State's employee health insurance program pursuant to Section 1-11-705(I)(2) may remain in the operating account for the State's employee health insurance program.

Disclaimer

This presentation does not constitute a comprehensive or binding representation of the employee benefit programs PEBA administers. The terms and conditions of the employee benefit programs PEBA administers are set out in the applicable statutes and plan documents and are subject to change. Benefits administrators and others chosen by your employer to assist you with your participation in these employee benefit programs are not agents or employees of PEBA and are not authorized to bind PEBA or make representations on behalf of PEBA. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.